



Business Subsidy Policy

I. BACKGROUND:

Whenever Redwood County (the “County”) invests public funds or agrees to voluntarily forfeit property taxes or other revenues that benefit private development projects, it is the County’s goal that those projects create the greatest number of full time equivalent (“FTE”) jobs possible that pay a living wage. The County and economic development agents shall keep the critical need for FTE Living Wage Jobs the priority whenever public dollars are invested in a private business or development project.

Business Subsidy Public Purpose. The public purposes of this policy shall be to accomplish the following on behalf of Redwood County:

1. To redevelop blighted or under-utilized areas of the County.
2. To create additional job opportunities within the County.
3. To retain local jobs in the County, where job loss is specific and demonstrable.
4. To enhance the economic diversity of the County and to provide essential products and services within the County.
5. To enhance economic growth in the County.

Principles of Business Subsidy Implementation. The County shall target its business subsidy assistance to businesses that demonstrate a clear and ongoing commitment to the County. This commitment must be shown by providing living wage jobs to their employees, preferably FTE Living Wage Jobs, where applicable, and by giving priority to those businesses over businesses that have not traditionally paid living wages.

The County shall focus its business subsidy assistance only to businesses which agree to comply with annual business subsidy reporting requirements as required by the business subsidy statutes M.S. § 116J.993 - 116J.995.

II. DEFINITIONS

“Authorized Business Subsidy Signatory” – means the Chair of the Redwood County Board who is authorized by this Policy to execute business subsidy agreements on behalf of Redwood County.

”Benefit Date” - means the date that the recipient receives the business subsidy. If the business subsidy involves the purchase, lease, or donation of physical equipment, then the benefit date begins when the recipient puts the equipment into service. If the business subsidy is for improvements to property, then the benefit date refers to the earliest date of either:

- (1) when the improvements are finished for the entire project; or
- (2) when a business occupies the property. If a business occupies the property and the subsidy grantor expects that other businesses will also occupy the same property, the grantor may assign a separate benefit date for each business when it first occupies the property.

“Business Subsidy” – means a state or local government agency grant, contribution of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient, any reduction or deferral of any tax or any fee, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business, and as defined by the Business Subsidy statute M.S. § 116J.993 - 116J.995.

The following forms of financial assistance are not a business subsidy:

- (1) a business subsidy of less than \$150,000;
- (2) assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
- (3) public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
- (4) redevelopment property polluted by contaminants as defined in M.S. § 116J.552, subdivision 3;
- (5) assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50 percent of the total cost;
- (6) assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services;
- (7) assistance for housing;
- (8) assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance subdistrict as defined under M.S. § 469.174, subdivision 23;
- (9) assistance for energy conservation;
- (10) tax reductions resulting from conformity with federal tax law;
- (11) workers' compensation and unemployment insurance;
- (12) benefits derived from regulation;
- (13) indirect benefits derived from assistance to educational institutions;
- (14) funds from bonds allocated under chapter 474A, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
- (15) assistance for a collaboration between a Minnesota higher education institution and a business;
- (16) assistance for a tax increment financing soils condition district as defined under M.S. § 469.174, subdivision 19;
- (17) redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;
- (18) general changes in tax increment financing law and other general tax law changes of a principally technical nature;

- (19) federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;
- (20) funds from dock and wharf bonds issued by a seaway port authority;
- (21) business loans and loan guarantees of \$150,000 or less;
- (22) federal loan funds provided through the United States Department of Commerce, Economic Development Administration; and
- (23) property tax abatements granted under M.S. § 469.1813 to property that is subject to valuation under Minnesota Rules, chapter 8100.

“Business Subsidy Report” – means the annual reports submitted each year for each business receiving a Business Subsidy or Financial Assistance. The report is submitted by the County in order to comply with M.S. § 116J.994 Subd. 7. (b).

“Criteria” – means the equitably applied, uniform standards by which the Economic Development Agency and/or the County bases its decision to award any business subsidy to a private business or development project establishing a business and creating jobs in the County.

“Economic Development Agent” – means the County department, local or regional economic development agency or other authorized staff that are empowered to solicit, negotiate and form business subsidy agreements on behalf of the County. The Economic Development Agent for the County shall be the Economic Development Coordinator and/or designee, hereinafter “Agent”.

“Financial Assistance” – means a business subsidy of \$25,000 or more and business loans or guarantees of \$75,000 or more. Financial Assistance is subject to the requirements of M.S. § 116J.994.

“Living Wage Job” – shall mean a job which pays wages and health benefits that have an hourly rate that totals at least 110-percent of the current poverty level for a family of four.

“Operation Start Date” – shall mean the date by which the business begins its operations as evidenced by completing construction of a facility or relocating to an existing facility and beginning revenue generating operations and/or hiring employees.

“Recipient” – means any business entity that receives a business subsidy as defined by M.S. § 116J.993 and that has signed a Business Subsidy Agreement with the County.

III. BUSINESS SUBSIDY REQUIREMENTS

1. Any time Redwood County provides a Business Subsidy to a Recipient, that business is subject to the wage levels, job creation and other criteria set forth in this policy and specified in the Business Subsidy Agreement made with the County.
2. Within two years of the Benefit Date the Recipient shall create and retain at least one FTE Living Wage Job. The County may deviate from this wage and job criteria by documenting the reason in writing for the deviation and attaching a copy of this reason to the next annual Business Subsidy Report submitted to DEED.
3. The County requires all businesses receiving a Business Subsidy or Financial Assistance if the creation or retention of jobs is determined not to be a goal to attend a properly noticed public hearing which shall be held by the County as provided by M.S. § 116J.994. The purpose of the hearing shall be to identify and define the criteria that the Business Subsidy Applicant shall meet in order to be eligible to receive a Business Subsidy. The hearing shall specify the Business Subsidy provided, the public purpose(s) that shall be achieved by offering the Business Subsidy, and shall specify the measurable, specific, and tangible goals committed to by the Business Subsidy Applicant. As provided by M.S. 116J.994, Subd. 5., a public notice shall be published in print at least 10 days prior to the hearing,

identifying the location, date time and place of the hearing; and providing information about the Business Subsidy proposed, including a summary of the terms of the Business Subsidy.

4. All Business Subsidy Recipients shall identify an Operation Start Date.

IV. CRITERIA

Business subsidies shall be considered for those applicants that meet one more of the below listed criteria.

- But-for Test. There is a substantial likelihood that the project would not go forward without the Business Subsidy requested. This criteria must be supported by representations of the applicant for the Business Subsidy.
- Redevelopment. The project will remove, prevent or reduce blight or other adverse conditions of the property, thereby protecting the County's property values and the general public health, safety, and welfare.
- Attraction of New Business. The project will attract or retain competitive and financially strong commercial and industrial companies, which offer the potential for significant growth in employment and tax base.
- Highest and Best Land Use. The use of the Business Subsidy will encourage quality construction and promote the highest and best use of land, consistent with the County's Comprehensive Plan.
- Needed Services. The project will provide a needed service in the County.
- Economic Feasibility. The recipient can demonstrate that it has experience and adequate financing for the project, and that the project can be completed in a timely manner.
- Impact on County Services and Infrastructure. The project will not significantly and adversely increase the demands for service needs in the County.
- Job Creation. The project will create or retain jobs as outlined in Section III.2. The County may take into account the special needs of small or growth-phase businesses that have the potential to create high paying jobs in the future.
- Tax Base. The project will increase the County's tax base and generate new property tax revenue.

V. EVALUATION

The County will evaluate each request for a Business Subsidy using the criteria as outlined in Section IV. In order to do so, businesses shall complete the Redwood County Business Subsidy Application and supply all additional information requested by the County. Meeting all or a majority of the criteria does not mean a Business Subsidy will be awarded or denied. A decision to approve or reject a request for a Business Subsidy will be based on the merits of the project and the overall benefit to Redwood County.

Redwood County has established a Business Subsidy Committee ("Committee") to review all applications for Business Subsidies. The Committee shall provide the Redwood County Board of Commissioners an advisory opinion regarding each application. The Redwood County Board of Commissioners will make a final decision as to the administration, approval and issuance of any Business Subsidy.

VI. VALUATION OF BUSINESS SUBSIDY

The County will calculate the value of assistance provided to a business in the following manner.

1. If the Business Subsidy is a contribution or sale of real or personal property, the amount of the Business Subsidy will be the fair market value of the property as determined by the County, less any amount paid.
2. If the Business Subsidy is a loan, the amount of the Business Subsidy will be the principal amount of the loan.
3. If the s Business Subsidy is a loan guarantee, the amount of the Business Subsidy will be principal amount of the loan guaranteed.
4. If the Business Subsidy takes the form of payments over time (such as pay-as-you-go tax increment) the amount of the Business Subsidy will be the sum of projected payments, discounted to a present value using a discount factor determined by the County which approximates the interest rate available to the business from a commercial lender.

VII. BUSINESS SUBSIDY IMPLEMENTATION

A Recipient must enter into a Business Subsidy Agreement with the County that complies with the Business Subsidy Act and the requirements set forth therein, including;

- (a) a description of the Business Subsidy, including the amount and type of Business Subsidy, and type of district if the Business Subsidy is tax increment financing.
- (b) a statement of the public purposes for the Business Subsidy.
- (c) measurable, specific, and tangible goals for the Business Subsidy.
- (d) a description of the financial obligation of the Recipient if the goals are not met.
- (e) a statement of why the Business Subsidy is needed.
- (f) a commitment to continue operations in the jurisdiction where the Business Subsidy is used for at least five years after the Benefit Date.
- (g) the name and address of the parent corporation of the Recipient, if any.
- (h) a list of all financial assistance by all grantors for the project.
- (i) agree to comply with annual reporting as required by the Business Subsidy Act.

Applicant will be required to pay for costs associated with drafting legal documents, consultant fees, and other direct costs related to the processing of the Business Subsidy application. An estimate of those costs can be provided upon request.